

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-853-594-112
[Redacted],)	
)	
Petitioners.)	DECISION
)	

This case arises from a timely protest of a State Tax Commission (Commission) decision to deny a benefit requested with a 2015 Property Tax Reduction Benefit application. The Commission has reviewed the file and makes its decision based on the information in the file.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals. The benefit is in the form of a payment, funded by state sales tax, of all or a portion of the claimant's property tax on the dwelling he owns and occupies. The amount of property tax reduction depends on income—the greater the income, the smaller the benefit.

[Redacted] (claimants) filed an application for a property tax reduction benefit [Redacted].

Idaho Code §§ 63-707(5) and 63-707(6) allows the Commission to review claims and reduce the benefit claimed, as required. During the review of the claimants' application, the staff identified medical expenses that were not allowable. An Intent to Deny Property Tax Reduction Benefit letter was sent on July 27, 2015, advising the claimants that the amount of medical expenses claimed would be adjusted to show only allowable medical expenses. After this adjustment, the claimants' net household income exceeded the minimum amount required to qualify for a benefit.

The claimants protested the intended action that would result in the denial of their property tax reduction benefit. The file was transferred to the Legal/Tax Policy Division for administrative review. The claimants' were sent a letter explaining the methods available for redetermining a protested Intent to Deny Property Tax Reduction Benefit letter. The claimants did not request a hearing. However, in their protest letter, they asked for the medical expenses that were claimed to be reconsidered and they requested to be contacted by the Commission. The Tax Policy Specialist called several times, and left messages for the claimants. The Tax Policy Specialist informed the claimants that when determining household income for the property tax reduction benefit, only those medical expenses defined in Internal Revenue Code (IRC) 213(d) are allowed. The Tax Policy Specialist also left a message for the claimants requesting that they provide times for him to call that were convenient for them to discuss the matter, there was no response.

Income for property tax reduction benefits purposes is defined in Idaho Code § 63-701(5) as follows:

(5) **"Income" means the sum of federal adjusted gross income as defined in the Internal Revenue Code,** as defined in section 63-3004, Idaho Code, **and** to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding any return of principal paid by the recipient of an annuity and excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

It does not include gifts from nongovernmental sources or inheritances. **To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and, if married, the claimant's spouse, may be deducted from income.** To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include dependency and indemnity compensation or death benefits paid to a person described in subsection (1) of this section by the United States department of veterans affairs and arising from a service-connected death or disability. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). **Documentation of medical expenses may be required by the county assessor and state tax commission in such form as the county assessor or state tax commission shall determine.** "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. Where a claimant and/or the claimant's spouse does not file a federal tax return, the claimant's and/or the claimant's spouse's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return, as determined by the county assessor. The county assessor or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W-2 and 1099.

For determining income for certain married individuals living apart, the provisions of sections 2(c) and 7703(b) of the Internal Revenue Code shall apply. (Emphasis added.)

The claimants' medical expense statement submitted with their application showed a medical expense total of \$40,168. However, included in this total are nutritional supplements, over-the-counter medication, and naturopathic treatments, all of which are not allowable under IRC 213(d). When these expenses are deducted from the total amount claimed, the claimants' allowable medical expenses are \$6,467.

The claimants' 2014 adjusted gross income totaled \$35,492. When social security income of \$15,326 is added and allowable medical expenses of \$6,467 are deducted, the claimants' net household income is \$44,351.

The claimants' 2014 income exceeds the \$29,100 maximum income allowed for a minimum 2015 property tax reduction benefit. The claimants must be denied the requested property tax reduction benefit.

THEREFORE, the decision of the Commission to deny the property tax reduction benefit requested is hereby AFFIRMED and MADE FINAL.

An explanation of the claimants' right to appeal this decision is enclosed.

DATED this _____ day of _____ 2015.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2015, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.
